

HOUSING NOW Canada

CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

New Home Market

Housing starts move higher in October

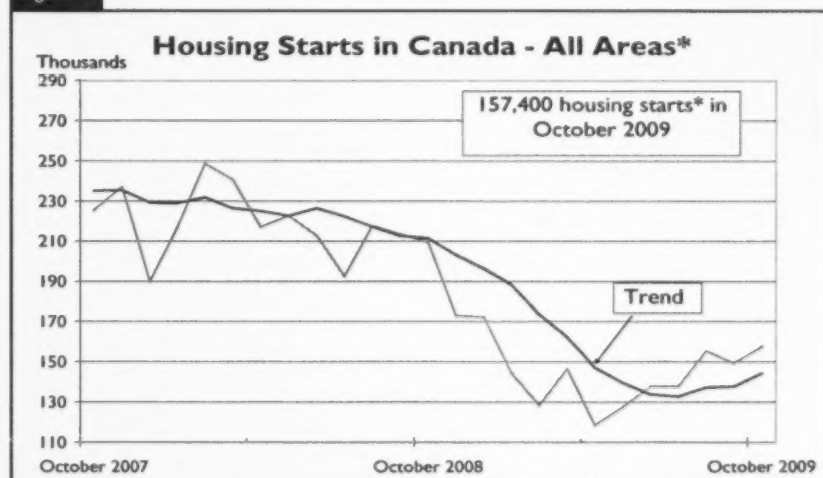
The seasonally adjusted annual rate¹ of housing starts was 157,400 units in October, up 5.4 per cent from 149,300 units in September.

The rise in housing starts in October reflected higher multiple starts, which rebounded from a double digit decline in September. Single starts edged lower in October. Despite a modest decline, the level of single starts remains at its second highest level since October 2008.

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Figure 1



Source: CMHC

¹Seasonally adjusted at annual rates

Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release.

²All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.

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Demand for housing remains strong given the low mortgage rates and improving economic conditions.

Urban single starts down slightly, while multiple starts increased sharply in October

The seasonally adjusted annual rate of urban starts increased by 5.3 per cent to 140,000 units in October compared to 133,000 units in September. Urban multiple starts increased by 13.6 per cent to 72,500 units, while urban single starts fell 2.5 per cent to 67,500 units in October.

Urban starts up in all regions except for Quebec

October's seasonally adjusted annual rate of urban starts increased in all regions, except for Quebec, where they declined by 11.6 per cent to 31,900 units. Urban starts grew by 15.7 per cent to 16,200 units in British Columbia, by 14.9 per cent to 55,700 units in Ontario, by 6.5 per cent to 28,000 units in the Prairies, and by 1.2 per cent to 8,200 units in Atlantic Canada.

Rural starts were at a seasonally adjusted annual rate of 17,400 units in October.

Year-to-date actual starts down compared to 2008

Year-to-date actual starts in rural and urban areas combined decreased by an estimated 35.6 per cent compared to relatively high levels during the first ten months of 2008. Actual urban single starts for January to October 2009 are down 27.2 per cent compared to a year earlier while urban multiple starts are down 42.7 per cent over the same period. On a year-to-date basis, actual total housing starts in urban areas have decreased by an estimated 36.6 per cent compared to the same period in 2008.

Growth in new house prices moderates in September

The New Housing Price Index (NHPI) fell by 2.7 per cent year-over-year in September. This was the ninth consecutive monthly decline in the index.

In September 2009, compared to September 2008, new home prices increased in 11 out of 21 centres. The strongest increases in the NHPI were in St. John's (7.5 per cent), Quebec City (6.3 per cent), and Moncton (3.1 per cent). The centres that registered the largest declines in the NHPI were Edmonton (-11.4 per cent) and Victoria (-10.4 per cent).

Existing Home Market

MLS[®] sales increased in October

The seasonally adjusted annual rate of MLS[®] (Multiple Listing Service[®]) sales increased by 5.1 per cent to 549,816 units in October, compared to 523,056 units in September.

For the first ten months of the year, actual MLS[®] sales were up 11.1 per cent to 438,332 units compared to the same period in 2008.

MLS[®] new listings inched up in October

The seasonally adjusted annual rate of MLS[®] new listings in October increased modestly by 0.6 per cent to 781,776 units, compared to 777,300 units in September. Actual new listings for the first ten months of 2009 were down 3.8 per cent compared to the same period in 2008.

Sales-to-new-listings ratio up in October

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio². New listings are a gauge of the supply of existing homes, while MLS[®] sales are a proxy for demand.

¹Multiple Listing Service (MLS[®]) is a registered certification mark owned by the Canadian Real Estate Association

²Taking the Canadian MLS[®] market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

The seasonally adjusted sales-to-new-listings ratio for Canada remained in sellers' market territory at 70.3 per cent for October, up from September's 67.3 per cent. Sellers' market conditions continue to support growth in house prices.

The October seasonally adjusted average MLS® price in Canada increased by 1.4 per cent to \$340,233 compared to \$335,574 in September. The unadjusted MLS® average price was up 20.7 per cent in October compared to a year ago. The year-over-year increase in the unadjusted MLS® average price is due, mostly, to improved sales in the higher priced markets such as Vancouver, Victoria, Toronto, Calgary, and Edmonton, where actual unit

sales in October increased 171 per cent, 135 per cent, 64 per cent, 56 per cent, and 23 per cent, respectively, on a year-over-year basis.

Economic conditions

According to Statistics Canada, employment decreased by 43,200 jobs in October lowering Canada's employment rate to 61.2 per cent from 61.4 per cent in September. The labour force also moved lower in October by 5,600 people, which resulted in Canada's unemployment rate rising to 8.6 per cent from 8.4 per cent in September.

Month-over-month seasonally adjusted employment increased in four provinces between September and October.

The increases in employment were seen in New Brunswick (1,600 jobs), Quebec (1,400 jobs), Nova Scotia (1,200 jobs), and Prince Edward Island (1,000 jobs).

For the 12-month period ending in October 2009, seasonally adjusted employment in Canada contracted by 1.3 per cent (215,200 jobs). Part-time employment grew by 2.6 per cent (82,500 jobs), while full time employment decreased 0.6 per cent (297,700 jobs).

On October 20th, the Bank of Canada announced that it was leaving the overnight rate target unchanged at 0.25 per cent. The Bank noted that a recovery in economic activity was underway in Canada. The Bank also reiterated its commitment to leaving the target overnight rate at its current level until the end of the second quarter of 2010, conditional on the outlook for inflation. ■

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
 Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

Canada's Existing Home Market: A Change to Sellers' Market Conditions

Canada's sales-to-new-listings ratio (SLR) was in sellers' market territory from mid-1999 until the end of 2007. During 2008, decreasing sales of existing homes through MLS® pushed Canada's existing home markets through the balanced range and into buyers' market conditions. Since the start of 2009, this trend has reversed as Canada's resale markets have become stronger.

As stated previously in this publication, a good indicator of price pressure in the existing home market is the sales-to-new-listings ratio (SLR). New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand. The SLR is calculated by dividing the number of MLS® sales by the number of MLS® new listings, then multiplying by 100.

A sales-to-new-listings ratio (SLR) below 40 per cent has usually been accompanied by existing house price growth that is less than the general rate of inflation. This situation is known as a buyers' market. A SLR ratio above 55 per cent has been associated with a sellers' market, with home prices generally rising at a pace that is greater than inflation. When the SLR is between these thresholds, the market is said to be balanced and home prices tend to increase at about the

Figure 3



Figure 4

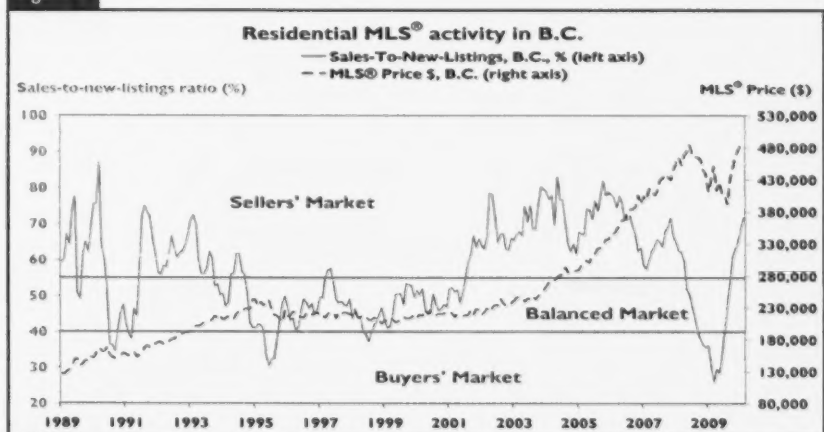
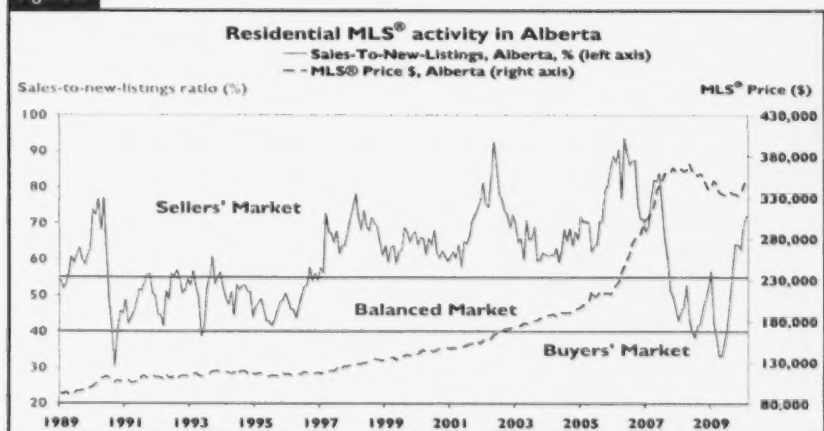


Figure 5



overall rate of inflation. The relationship between market conditions and average prices can be somewhat distorted by the fact that the average prices can also reflect changes in the mix of houses sold. It is also important to note that, to simplify the analysis, we assume that the thresholds used to determine that a market is in sellers', buyers' or balanced territory are the same for all provinces. In reality, thresholds can vary from province to province.

The overall Canadian context

Following several years of sellers' market conditions in Canada, housing demand moderated in 2008 as the economy slowed. As a result, the SLR started to trend lower and by late 2008 the resale market dipped into buyers' market territory. This occurred in part because of an increase in MLS® listings over that period and a decrease in MLS® sales. Since then, however, MLS® sales have become decidedly stronger (Figure 3). This has occurred largely because of increased homeownership affordability and by the improving economic and financial environment.

The Western Canada view

As can be seen on Figures 4 to 7, Canada's western provinces were the first to experience a decrease in demand for existing homes. As existing homes sales decreased, the SLR quickly moved from a sellers'

Figure 6

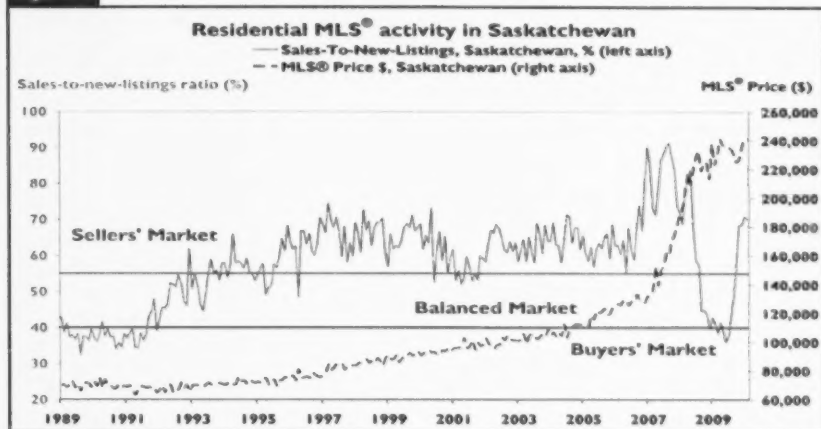


Figure 7

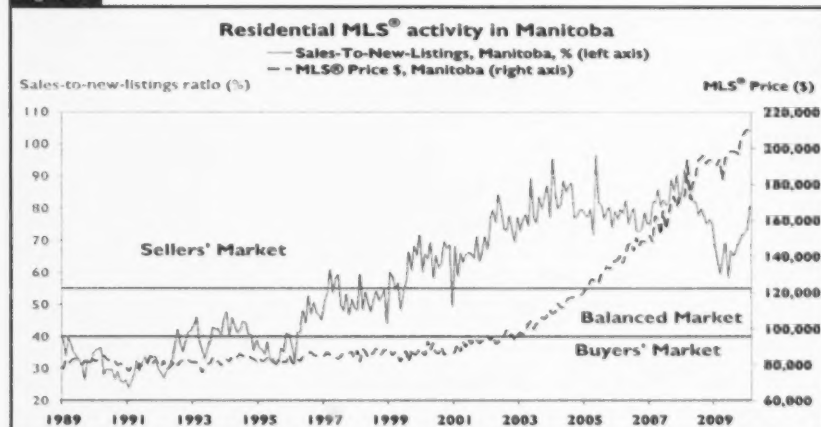


Figure 8



to a buyers' market, except for Manitoba, which has remained in sellers' market territory since about 2001. The decrease in demand was due, in part, by the rapid escalation in house prices in B.C., Alberta, and Saskatchewan in recent years. This was compounded in the latter portion of 2008 and early 2009 by the uncertain economic environment. Since then, improved affordability and a more positive economic outlook have helped to push demand for existing homes higher.

With respect to B.C., the market has turned around and the average MLS® price, as of October 2009, is \$487,597. This is higher than the February 2008 peak of \$484,517. In Alberta, prices have increased in 6 of the past 8 months and are currently standing at \$351,982. In Saskatchewan (\$240,929) and Manitoba (\$209,649), prices are still near their highest level.

The Ontario and Quebec view

With respect to Ontario and Quebec (Figure 8 and 9) high levels of new listings and a sudden decrease in existing home sales in the fourth quarter of 2008 caused the SLR to move toward the bottom of the balanced range. But, like other provinces, improved economic and financial conditions have pushed the SLR higher.

The Ontario average MLS® price is now at \$332,649, up 16.5 per cent from January of this year. In Quebec, the average MLS® price has also increased to reach \$232,536, up 10.3 per cent from January 2009.

Figure 9

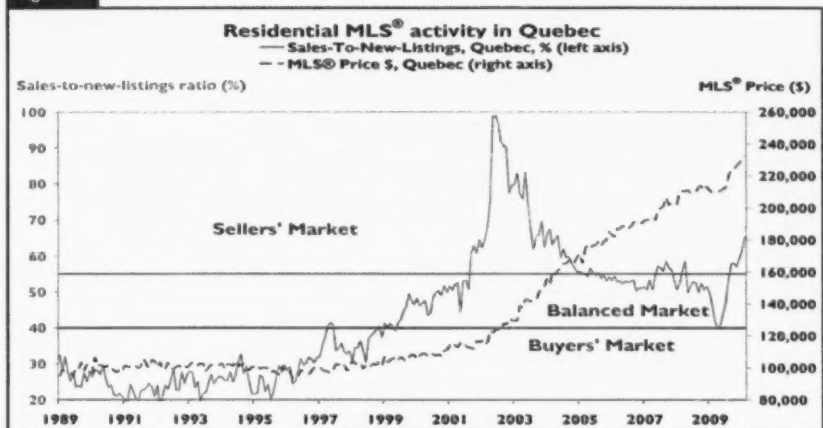
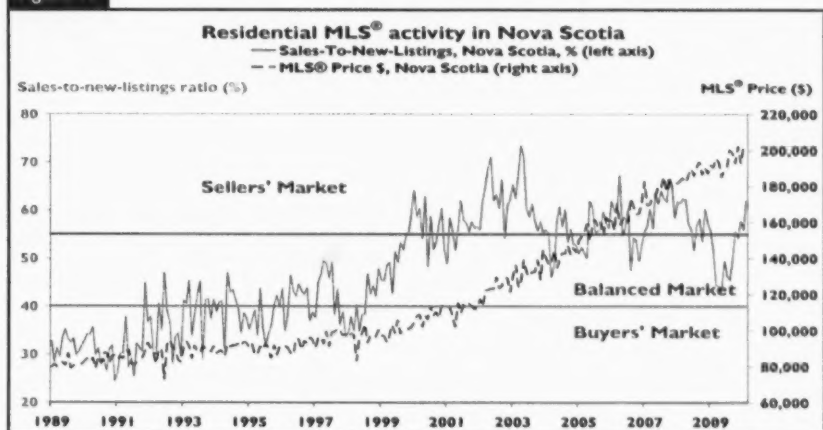


Figure 10



Figure 11



The Atlantic Canada view

Atlantic Canada, meanwhile (Figures 10 to 13), did not experience as strong a downturn in the SLR as in the rest of Canada. MLS® sales in the region have not decreased as much as in central and western Canada. The SLR in New Brunswick and PEI remains in balanced market territory. In Nova Scotia and Newfoundland sellers' market conditions are present.

In New Brunswick, MLS® prices are at \$157,127, up 10.6 per cent from the start of the year. At \$202,435, up 9.3 per cent from January of this year, prices in Nova Scotia are still at a high historical level. Finally, in Prince Edward Island and Newfoundland, prices are now at or near their highest level. Those provinces are posting average prices on the resale market of \$147,878 and \$209,430, respectively.

Conclusion

Canada's resale markets have recently turned from buyer's market conditions to sellers' market conditions. The previous decrease in housing demand, which started early in 2008 and in western provinces, moved across Canada as financial and economic conditions moderated. This pushed existing home markets from sellers' conditions to balanced conditions and finally into buyers' market conditions. Recent months, however, have seen economic

Figure 12

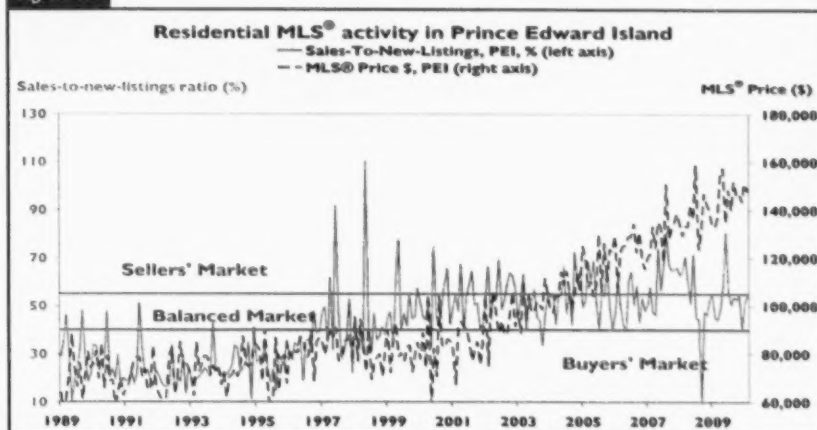
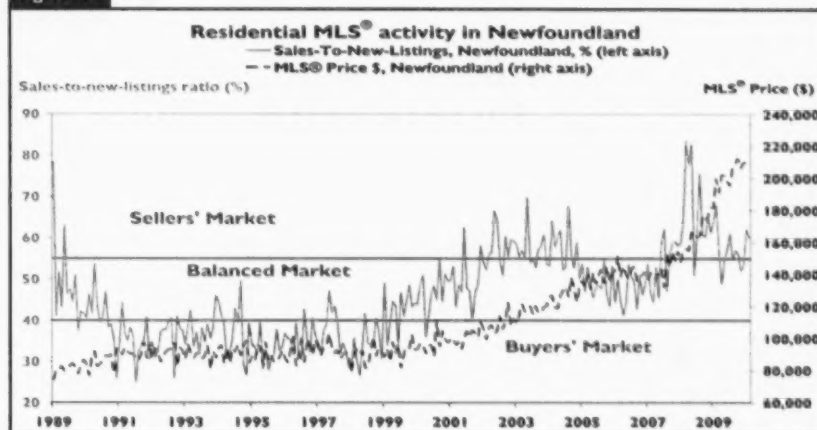


Figure 13



and financial markets turn more positive. Even with weak job growth, Canada's resale market has become stronger. Indeed, the seasonally adjusted average MLS® price has experienced an average growth of 2.32 per cent from March 2009 to October 2009; this after decreasing in 12 of the past 16 months prior to March 2009.

These conditions support CMHC's forecast that average house prices in Canada will increase by 3.1 per cent in 2009.

This Month's Housing Data (SAAR)

	2008	Q1:09	Q2:09	Q3:09	M08:09	M09:09	M10:09
Housing starts, units, 000s							
Canada. Total. All areas	211.1	139.4	128.1	147.8	155.4	149.3	157.4
Per cent change from previous period	-7.6	-24.6	-8.1	15.4	12.8	-3.9	5.4
Canada. Total. Rural areas	23.7	19.1	17.7	16.3	16.3	16.3	17.4
Per cent change from previous period	-31.5	-13.6	-7.3	-7.9	0.0	0.0	6.7
Canada. Total. Urban areas	187.4	120.3	110.4	131.5	139.1	133.0	140.0
Per cent change from previous period	-3.3	-26.1	-8.2	19.1	14.5	-4.4	5.3
Canada. Single. Urban areas	74.4	47.4	49.5	62.0	59.0	69.2	67.5
Per cent change from previous period	-18.1	-29.1	4.4	25.3	2.8	17.3	-2.5
Canada. Multiple. Urban areas	112.9	72.9	60.9	69.5	80.1	63.8	72.5
Per cent change from previous period	9.8	-24.0	-16.5	14.1	25.0	-20.3	13.6
Newfoundland. Total. All areas	3.3	3.4	2.8	3.0	2.8	2.8	2.9
Per cent change from previous period	23.1	-5.6	-17.6	7.1	-15.2	0.0	3.6
Prince Edward Island. Total. All areas	0.7	0.4	0.8	0.8	1.0	0.7	1.2
Per cent change from previous period	-5.1	-42.9	100.0	0.0	66.7	-30.0	71.4
Nova Scotia. Total. All areas	4.0	3.7	2.7	3.9	4.0	4.5	4.0
Per cent change from previous period	-16.2	8.8	-27.0	44.4	25.0	12.5	-11.1
New Brunswick. Total. All areas	4.3	3.3	3.7	3.4	3.5	2.9	3.6
Per cent change from previous period	0.8	-17.5	12.1	-8.1	-7.9	-17.1	24.1
Quebec. Total. All areas	47.9	41.3	39.1	45.6	48.9	41.3	37.2
Per cent change from previous period	-1.3	-13.4	-5.3	16.6	4.9	-15.5	-9.9
Ontario. Total. All areas	75.1	54.3	42.6	45.1	45.2	50.2	57.6
Per cent change from previous period	10.2	-19.9	-21.5	5.9	13.6	11.1	14.7
Manitoba. Total. All areas	5.5	3.4	4.1	4.8	5.5	4.4	4.2
Per cent change from previous period	-3.5	-41.4	20.6	17.1	25.0	-20.0	-4.5
Saskatchewan. Total. All areas	6.8	2.2	3.4	4.0	5.1	3.7	3.6
Per cent change from previous period	13.7	-58.5	54.5	17.6	64.5	-27.5	-2.7
Alberta. Total. All areas	29.2	13.4	16.1	20.7	20.1	22.6	25.0
Per cent change from previous period	-39.7	-38.8	20.1	28.6	4.1	12.4	10.6
British Columbia. Total. All areas	34.3	14.0	12.8	16.5	19.3	16.2	18.2
Per cent change from previous period	-12.4	-43.3	-8.6	28.9	40.9	-16.1	12.3

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2008	Q1:09	Q2:09	Q3:09	M08:09	M09:09	M10:09
Canada. Total. Urban areas	187.4	120.3	110.4	131.5	139.1	133.0	140.0
Newfoundland. Total. Urban areas	2.2	2.4	2.0	1.9	1.7	1.7	1.8
Prince Edward Island. Total. Urban areas	0.5	0.2	0.6	0.7	0.9	0.6	1.0
Nova Scotia. Total. Urban areas	3.3	3.0	2.1	3.2	3.3	3.8	2.9
New Brunswick. Total. Urban areas	3.1	2.4	2.8	2.5	2.6	2.0	2.5
Quebec. Total. Urban areas	41.6	33.1	33.8	40.4	43.7	36.1	31.9
Ontario. Total. Urban areas	71.9	52.3	40.2	43.4	43.5	48.5	55.7
Manitoba. Total. Urban areas	3.8	2.3	2.6	3.3	4.0	2.9	2.6
Saskatchewan. Total. Urban areas	4.7	1.6	2.4	3.4	4.5	3.1	2.7
Alberta. Total. Urban areas	25.4	11.1	13.2	18.4	17.8	20.3	22.7
British Columbia. Total. Urban areas	30.9	11.9	10.7	14.3	17.1	14.0	16.2

* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized

This Month's Major Housing Indicators

	2008	Q1:09	Q2:09	Q3:09	M08:09	M09:09	M10:09
New Housing							
New & unoccupied singles & semis, units 000s	7.6	8.9	8.4	6.8	6.6	6.2	5.9
Per cent change from same period previous year	26.2	29.4	14.8	-11.4	-13.2	-22.4	-28.6
New & unoccupied row & apartments, units 000s	9.5	11.2	12.0	12.9	13.0	12.9	13.0
Per cent change from same period previous year	9.9	21.0	34.6	41.3	43.9	38.4	29.3
New House Price Index, 1997=100	158.2	155.4	153.5	153.9	153.7	154.4	n.a.
Per cent change from same period previous year	3.4	-1.6	-3.1	-3.0	-3.1	-2.7	n.a.

Existing Housing

MLS® resales*, units 000s	434.5	347.3	457.4	511.8	507.8	523.1	549.8
Per cent change from same period previous year	-17.1	-27.7	-1.3	14.5	16.4	17.3	45.0
MLS® average resale price**, \$C 000s	303.6	285.5	307.0	328.8	328.8	335.6	340.2
Per cent change from same period previous year	-0.7	-9.3	-0.9	10.4	10.3	13.9	18.5

Mortgage Market

Posted 1-Year Mortgage Rate, % (period average)	6.70	4.85	3.85	3.73	3.75	3.70	3.80
Posted 5-Year Mortgage Rate, % (period average)	7.06	5.71	5.45	5.73	5.85	5.49	5.84

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available

* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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